

ANNUAL SURVEY OF U.S. DIRECT INVESTMENT ABROAD – 1998 INSTRUCTIONS

The Annual Survey of U.S. Direct Investment Abroad is conducted to secure current economic data on the operations of U.S. parent companies and their foreign affiliates. Reports filed in this survey should be consistent with those filed in the 1997 BE-11 annual survey as concerns concepts and definitions, accounting methods, affiliate and reporter consolidation, etc. However, filing this report is not contingent upon having filed a 1997 BE-11.

I. REPORTING REQUIREMENTS

Section 806.4 of 15 CFR, Chapter VIII, requires that all persons subject to the reporting requirements of the BE-11 survey respond, whether or not they are contacted by BEA. It also requires that a person, or their agent, who is contacted by BEA about reporting in this survey, either by sending them report forms or by written inquiry, must respond in writing. They may respond by: 1) certifying in writing, within 30 days of being contacted by BEA, to the fact that the person had no direct investment within the purview of the reporting requirements of the BE-11 survey; 2) completing and returning the "BE-11 Claim for Not Filing" within 30 days of receipt of the BE-11 survey report forms; or 3) filing the properly completed BE-11 report by May 28, 1999, as required.

For definition of terms, see Part II.

Forms comprising a BE-11 report are:

1. **Form BE-11A** for reporting by a U.S. Reporter that is not a bank;
2. **Form BE-11B(LF) (Long Form)** for reporting majority-owned nonbank foreign affiliates with assets, sales, or net income greater than \$50 million (positive or negative);
3. **Form BE-11B(SF) (Short Form)** for reporting majority-owned nonbank foreign affiliates with assets, sales, or net income greater than \$20 million, but not greater than, \$50 million (positive or negative);
4. **Form BE-11C** for reporting minority-owned nonbank foreign affiliates; and
5. **BE-11 Claim for Not Filing**

A. Who must report – A BE-11 report is required of any nonbank U.S. person that had a nonbank foreign affiliate at the end of the U.S. person's 1998 fiscal year that is not exempt as detailed in I.C.

B. Forms for U.S. Reporter and foreign affiliates

1. Form BE-11A – Report U.S. Reporter

- a. Basic requirements** – A BE-11A report must be completed by a U.S. Reporter that is not a bank. If the U.S. Reporter is a corporation, Form BE-11A is required to cover the fully consolidated U.S. domestic business enterprise.

If the U.S. Reporter had any foreign affiliates owned at least 20 percent by all U.S. Reporters of the affiliate combined, whether held directly or indirectly, for which any one of the following three items was greater than \$20 million (positive or negative) at the end of, or for, the affiliate's 1998 fiscal year:

- (1) total assets,
- (2) sales or gross operating revenues excluding sales taxes, or
- (3) net income after provision for foreign income taxes,

the U.S. Reporter must file a Form BE-11A for itself and a Form BE-11B(LF), BE-11B(SF), or BE-11C, as appropriate, for each nonexempt foreign affiliate.

- b. Definition of "fully consolidated U.S. domestic business enterprise"** – The fully consolidated U.S. domestic business enterprise is defined as: **1)** the U.S. corporation whose voting securities are not owned more than 50 percent by another U.S. corporation, and **2)** proceeding down each ownership chain from that U.S. corporation, any U.S. corporation (including Foreign Sales Corporations located in the United States) whose voting securities are more than 50 percent owned by the U.S. corporation above it. **This consolidation excludes foreign branches and all other foreign affiliates.**

It is recognized that, in rare instances, conditions may exist that would lead a U.S. parent company to exclude a domestic subsidiary from its consolidation. If a U.S. Reporter cannot consolidate all of its domestic subsidiaries in its Form BE-11A, **it must request and be granted** permission from BEA to file on an unconsolidated basis prior to filing the report. The U.S. parent is responsible for ensuring that the required Form BE-11A and related Forms BE-11B(LF), BE-11B(SF), and BE-11C, for itself and any unconsolidated domestic subsidiaries are filed with BEA. The filing deadline for an unconsolidated domestic subsidiary is the same as that for its U.S. parent.

- c. Calculation of ownership percentage** – A U.S. Reporter's ownership interest in a foreign business enterprise may be directly or indirectly held, or both. It is directly held if the U.S. Reporter itself holds the ownership interest in the foreign business enterprise. It is indirectly held if, for example, the U.S. Reporter holds an ownership interest in another foreign business enterprise that, in turn, owns the given foreign business enterprise. In determining a U.S. Reporter's ownership interest, all direct and indirect lines of ownership interest in the foreign business enterprise must be summed. **Note – An associated group is deemed to be one U.S. Reporter.**

A U.S. Reporter's percentage of indirect ownership interest in a given foreign business enterprise is the product of the direct ownership percentage of the U.S. Reporter in the first foreign business enterprise in the ownership chain, multiplied by that first enterprise's direct ownership percentage in the second enterprise in the chain, multiplied by the corresponding direct ownership percentages for all other intervening enterprises in the ownership chain, multiplied by the last intervening enterprises's direct ownership percentage in the given foreign business enterprise.

d. Other requirements for filing Form BE-11A

- (1) **Foreign affiliate is owned by only part of the fully consolidated U.S. domestic business enterprise** – The U.S. Reporter is deemed to be the fully consolidated U.S. domestic business enterprise even if only one entity in the consolidated U.S. enterprise directly owns the foreign affiliate.
- (2) **U.S. Reporter that is an individual, estate, trust, or nonprofit organization** – A U.S. Reporter that is an individual, estate, trust, or religious, charitable, or other nonprofit organization, and that owns a nonexempt foreign affiliate directly, rather than through a U.S. business enterprise, should complete only items 1 and 4 of Form BE-11A and attach an explanatory note attesting to its status. Required Forms BE-11B(LF), BE-11B(SF), and BE-11C must be filed as appropriate.
- (3) **U.S. business enterprise owned by an individual, estate, trust, or nonprofit organization** – If a U.S. individual, estate, trust, or nonprofit organization owns more than 50 percent of a U.S. business enterprise that, in turn, owns a foreign affiliate, then the U.S. Reporter is deemed to be the U.S. business enterprise, not the individual, etc. The BE-11 report should be filed by, and Form BE-11A should be for, the U.S. business enterprise rather than the individual, etc. However, direct financial transactions or positions, if any, by the individual, etc., with the foreign affiliate must be included in the business enterprise's report.
- (4) **U.S. Reporter owned by a foreign person** – A U.S. Reporter that is a U.S. affiliate of a foreign person and that is filing a BE-15(LF) Annual Survey of Foreign Direct Investment in the United States – 1998 (Long Form), should only complete items 1–4, 7–15, 19–25, and 35 of Form BE-11A. If the U.S. Reporter is filing a BE-15(SF) (Short Form), instead of the BE-15(LF) (Long Form), all of Form BE-11A must be completed. See also III.B.
- (5) **Joint ownership of foreign affiliate** – If two or more U.S. Reporters jointly own, directly or indirectly, a foreign affiliate, each U.S. Reporter must file a Form BE-11A. See I.B.2.c.(2).

2. Forms BE-11B(LF), BE-11B(SF), and BE-11C – Report for foreign affiliate

- a. Form BE-11B(LF) or (SF)** – Report for majority-owned foreign affiliate

A BE-11B(LF) (Long Form) must be filed by the U.S. Reporter for each majority-owned nonbank foreign affiliate, whether held directly or indirectly, for which **any one** of the following three items was greater than \$50 million (positive or negative) at the end of, or for, the affiliate's 1998 fiscal year:

- (1) total assets,
- (2) sales or gross operating revenues excluding sales taxes, or
- (3) net income (loss) after provision for foreign income taxes.

I. REPORTING REQUIREMENTS — Continued

A BE-11B(SF) (Short Form) must be filed for each majority-owned nonbank foreign affiliate, whether held directly or indirectly, for which **any one** of the three items listed above was greater than \$20 million (positive or negative) but for which no one of these items was greater than \$50 million (positive or negative) at the end of, or for the affiliate's fiscal year.

NOTE – An affiliate is majority-owned by virtue of being owned more than 50 percent by all U.S. Reporters of the affiliate combined. Such affiliates that meet the reporting requirements must be reported on Form BE-11(LF) or Form BE-11B(SF).

b. Form BE-11C – Report for minority-owned foreign affiliate

A Form BE-11C must be filed for each minority-owned nonbank foreign affiliate owned at least 20 percent, but not more than 50 percent, directly and/or indirectly, by all U.S. Reporters of the affiliate combined, for which **any one** of the three items listed in I.B.2.a. above was greater than \$20 million (positive or negative), at the end of, or for, the affiliate's fiscal year.

c. Other requirements for filing Forms BE-11B(LF), BE-11B(SF), and BE-11C

(1) **Rules for consolidation of foreign affiliate** – The following rules should be used in determining which foreign business enterprises may be consolidated into one foreign affiliate:

- FOREIGN BUSINESS ENTERPRISES LOCATED IN DIFFERENT COUNTRIES MAY NOT, UNDER ANY CIRCUMSTANCES, BE CONSOLIDATED;
- Foreign business enterprises located in the same country that are integral parts of the same business operation **may** be consolidated into one affiliate.
- Foreign business enterprises located in the same country and in the same BEA 3-digit industry, as defined in the **Guide to Industry and Foreign Trade Classifications for International Survey**, Part I, **may** be consolidated.

Note – A U.S. Reporter who participates in BEA's BE-577 quarterly survey of U.S. direct investment abroad, Direct Transactions of a U.S. Reporter with Foreign Affiliate, should consolidate foreign business enterprises on Forms BE-11B(LF), BE-11B(SF), and BE-11C in the same manner as on Form BE-577.

(2) Reporting of foreign affiliates owned by more than one U.S. Reporter

– If two or more U.S. Reporters jointly own, directly or indirectly, a foreign affiliate that is required to be reported on Form BE-11B(LF) or (SF), each U.S. Reporter must submit a Form BE-11B(LF) or (SF) for the affiliate. The U.S. Reporter having the highest percentage ownership (direct and indirect combined) in the foreign affiliate must file a form in which all items have been completed. The other U.S. Reporter(s) must file a form in which only items 1,2,6,7,8,9, and 10 of Part I have been completed. If the ownership percentages are the same, the U.S. Reporters must decide among themselves which one will submit the complete report. Note, however, that in Part II, Sections C, D, and E, of Form BE-11B(LF) and Part II, Sections C and D, of Form BE-11B(SF), data must be reported by transactor. For example, in Part II, Section D, of Form BE-11B(LF), and Part II, Section C, of Form BE-11B(SF), Distribution of Sales or Gross Operating Revenues, one transactor category is "to U.S. Reporter(s)" of this affiliate. If the U.S. Reporter filing the complete Form BE-11B(LF) or (SF) cannot, or prefers not to, secure from the affiliate and report the data concerning the other U.S. Reporters of the affiliate, then each U.S. Reporter is required to report its own data in those sections of Part II. The U.S. Reporter filing the complete Form BE-11B(LF) or (SF) must attach a note to the form stating that it is not reporting data for the other U.S. Reporter(s) and must so inform the other U.S. Reporter(s).

If two or more Reporters jointly own a foreign affiliate that is required to be reported on Form BE-11C, only the U.S. Reporter having the highest percentage ownership (direct and indirect combined) in the foreign affiliate must file the form.

(3) Reporting when there is more than one foreign affiliate in a chain of ownership

– A Form BE-11B(LF), BE-11B(SF), or BE-11C must be filed for a foreign affiliate of the U.S. Reporter that owns another nonexempt foreign affiliate of that U.S. Reporter, even if the foreign affiliate parent is otherwise exempt, i.e., a Form BE-11B(LF) or (SF) or BE-11C must be filed for all affiliates upward in a chain of ownership.

(4) Relationship between Forms BE-11A, BE-11B(LF) or (SF), and BE-11C

– The term "U.S. Reporter" is defined to mean the fully consolidated U.S. domestic business enterprise; therefore, on Forms BE-11B(LF), BE-11B(SF), and BE-11C, when data on trade and financial relationships between the U.S. Reporter and the foreign affiliate are requested, the data must reflect the foreign affiliate's relationship with the entire U.S. enterprise, not merely with one division, operating unit, or part.

C. Exempt affiliates – Based on the preceding, a foreign affiliate is exempt from being reported if it meets any one of the following criteria:

- None of its exemption level items exceeds \$20 million (positive or negative).
- It is less than 20 percent owned, directly and/or indirectly, by all U.S. Reporters of the affiliate combined.
- Its U.S. parent (U.S. Reporter) is a bank.
- It is a bank.

Banks are defined as business enterprises classified in International Surveys Industry (ISI) codes 600 and 603.

Note that a minority-owned affiliate that is owned by more than one U.S. Reporter, and that otherwise meets the reporting requirements, must be reported on Form BE-11C even if no one U.S. Reporter owns 20 percent or more.

An affiliate's receivable due from its parent or from other affiliated persons may not be eliminated from total assets when applying the exemption criteria for preparing this report.

If you filed a Form BE-11B(LF) or (SF) or BE-11C for an affiliate in 1997 that is exempt in 1998 according to C.1. above, and for which you received a label, affix the affiliate label to either the BE-11B(SF) or BE-11C report, as appropriate, and enter the amounts for total assets (in item 18 on the BE-11B(SF) or in item 11 on the BE-11C), annual sales or gross operating revenues (in item 27, column (1), on the BE-11B(SF), or in item 12 on the BE-11C), annual net income (loss) (in item 22 on the BE-11B(SF) or in item 13 on the BE-11C). If the affiliate is exempt in 1998 according to C.2 above, affix the affiliate label to the BE-11C report and enter the ownership percentages at the close of fiscal year 1998 in items 6, 7, and 8. If **all** of your affiliates are exempt in 1998, a "Claim for Not Filing" should be filed.

II. DEFINITIONS

A. 1998 fiscal year is the U.S. Reporter's or the foreign affiliate's financial reporting year that has an ending date in calendar year 1998. Those U.S. Reporters or affiliates having a "52/53 week" fiscal year that ends within the first week of January 1999, are considered to have a 1998 fiscal year for purposes of filing this survey, and should report December 31, 1998 as their 1998 fiscal year end. A business enterprise that does not have a financial reporting year, or does not have a financial reporting year *ending* in calendar year 1998 is deemed to have a fiscal year identical to calendar year 1998. (U.S. Reporters and foreign affiliates that changed the ending date of their financial reporting year in 1998 should contact BEA to determine what reporting period should be used.)

B. Affiliate means a business enterprise located in one country which is directly or indirectly owned or controlled by a person of another country to the extent of 10 per centum or more of its voting stock for an incorporated business or an equivalent interest for an unincorporated business, including a branch.

C. Associated group means two or more persons who, by the appearance of their actions, by agreement, or by an understanding, exercise their voting privileges in a concerted manner to influence the management of a business enterprise. Each of the following are deemed to be an associated group —

- Members of the same family,
- A business enterprise and one or more of its officers or directors,
- Members of a syndicate or joint venture, or
- A corporation and its domestic subsidiaries.

D. Branch means the operations or activities conducted by a person in a different location in its own name rather than through an incorporated entity.

E. Business enterprise means any organization, association, branch, or venture which exists for profitmaking purposes or to otherwise secure economic advantage, and any ownership of any real estate.

II. DEFINITIONS — Continued

- F. Foreign**, when used in a geographic sense, means that which is situated outside the United States or which belongs to or is characteristic of a country other than the United States.
- G. Foreign affiliate** means an affiliate located outside the United States in which a U.S. person has direct investment.
- H. Foreign affiliate parent** means a U.S. Reporter's foreign affiliate which has an equity interest in another foreign affiliate of the U.S. Reporter.
- I. Foreign person** means any person resident outside the United States or subject to the jurisdiction of a country other than the United States.
- J. Fully consolidated U.S. domestic business enterprise means 1)** the U.S. corporation whose voting securities are not owned more than 50 percent by another U.S. corporation, and **2)** proceeding down each ownership chain from that U.S. corporation, any U.S. corporation (including Foreign Sales Corporations located in the United States) whose voting securities are more than 50 percent owned by the U.S. corporation above it. This consolidation excludes foreign branches and all other foreign affiliates.
- K. Intermediary** means an agent, nominee, manager, custodian, trust, or any person acting in a similar capacity.
- L. Majority-owned foreign affiliate** means a foreign affiliate in which the combined direct and indirect ownership interest of ALL U.S. REPORTERS of the affiliate exceeds 50 per centum.
- M. Minority-owned foreign affiliate** means a foreign affiliate in which the combined direct and indirect ownership interest of at least one U.S. Reporter is 10 per centum or more, but the combined direct and indirect ownership interests of all U.S. Reporters of the affiliate is 50 per centum or less.
- N. Person** means any individual, branch, partnership, associated group, association, estate, trust, corporation, or other organization (whether or not organized under the laws of any State), and any government (including a foreign government, the United States Government, a State or local government, and any agency, corporation, financial institution, or other entity or instrumentality thereof, including a government-sponsored agency).
- O. U.S. direct investment abroad** means the ownership or control, **directly or indirectly**, by one U.S. person of 10 per centum or more of the voting securities of an incorporated foreign business enterprise or an equivalent interest in an unincorporated foreign business enterprise, including a branch.
- P. U.S. person** means any person resident in the United States or subject to the jurisdiction of the United States.
- Q. U.S. Reporter** means the U.S. person which has direct investment in a foreign business enterprise, including a branch. If the U.S. person is an incorporated business enterprise, the U.S. Reporter is the fully consolidated U.S. domestic enterprise. *See II.J.*
- R. United States**, when used in a geographic sense, means the several States, the District of Columbia, the Commonwealth of Puerto Rico, and all territories and possessions of the United States.

III. CLARIFICATION OF COVERAGE

- A. Determining existence of a foreign affiliate** — In general, a U.S. person's foreign operation or activity is considered a foreign affiliate if it is legally or functionally separable from the domestic operations or activities of the U.S. person. In most cases, it is clear whether the foreign operation or activity constitutes an affiliate. For example, if the operation or activity is incorporated abroad, as is true in the majority of cases, it is always considered a foreign affiliate. Even if it is unincorporated, the foreign operation or activity is usually legally or functionally separable from the U.S. person's domestic operations or activities. In cases where it is not clearly separable, the determination of whether the operation or activity constitutes a foreign affiliate is made on a case-by-case basis, depending on the weight of the evidence.
- Factors that would tend to indicate that the operation or activity is a foreign affiliate are:
1. It pays foreign income taxes.
 2. It has a substantial physical presence abroad, as evidenced by plant and equipment, or employees, permanently located abroad.
 3. Separate financial records are kept on the foreign operation or activity that would allow preparation of financial statements, including a balance sheet and income statement. (A mere record of disbursements to, or receipts from, the foreign operation or activity would not constitute a "financial statement" for this purpose.)
 4. It takes title to the goods it sells and receives revenues therefrom.
 5. It receives funds for its own account from customers for services it performs.

Factors that would tend to indicate that it is **not** a foreign affiliate are:

1. It engages only in sales promotion, public relations types of activities, or otherwise conducts business abroad for the U.S. Reporter's account and not for its own account. *See III.E.*
 2. It has no separate financial statements.
 3. It receives funds to cover its expenses only from the U.S. Reporter.
 4. It pays no foreign income taxes.
 5. It has limited property, plant, and equipment, or no employees, permanently located abroad.
- B. U.S. Reporter owned by a foreign person** — A U.S. business enterprise that is a U.S. Reporter in this BE-11 survey may also be a U.S. affiliate of a foreign person that must report in the BE-12, Benchmark Survey of Foreign Direct Investment in the United States — 1997. This could be the case if the U.S. business enterprise both owns foreign affiliates and is owned 10 percent or more, directly or indirectly, by a foreign person. In such cases, the U.S. business enterprise should report in this survey with respect to any foreign business enterprise it owns or controls, directly or indirectly, to the extent of 10 percent or more, but should not report other property of its foreign owner. (A foreign business enterprise that is jointly owned by the U.S. Reporter and the foreign owner of the U.S. Reporter should be considered a foreign affiliate of the U.S. Reporter provided the U.S. Reporter has a 10 percent or more ownership interest.) For purposes of the BE-11 survey, the foreign owner of the U.S. Reporter and the directly and indirectly owned foreign affiliates of the foreign owner (other than those held through the U.S. Reporter), are to be considered unaffiliated foreign persons.

- C. Foreign affiliate operating completely outside its country of incorporation** — If a foreign affiliate conducts all its operations from, and is located in, a single foreign country that is different from its country of incorporation, it is deemed to be operating totally outside its country of incorporation. A single BE-11B(LF) or (SF) or BE-11C report for the entity in the country of operation must be filed, treating it as an incorporated foreign affiliate; do not file a separate BE-11B(LF) or (SF) or BE-11C report for the entity in the foreign country of incorporation. If, however, the foreign affiliate has any of the following in the country of incorporation:

1. bank account,
2. employees,
3. property, plant, or equipment, or
4. sales,

it is deemed to have operations in its foreign country of incorporation and, therefore, a separate BE-11B(LF) or (SF) or BE-11C report must be filed for the entity in that country.

If a foreign affiliate incorporated abroad conducts its operations from, and has locations in, more than one foreign country, a separate Form BE-11B(LF) or (SF) or BE-11C must be filed for each country in which it has operations, and a separate Form BE-11B(LF) or (SF) or BE-11C must be filed for the entity in the foreign country of incorporation, treating the entity as an incorporated foreign affiliate in that country.

If a foreign affiliate incorporated abroad conducts its operations from, and is located in, the United States, a Form BE-11B(LF) or (SF) or BE-11C must be filed for the entity in the country of incorporation, treating it as an incorporated foreign affiliate in that country.

- D. Real estate** — The ownership of foreign real estate is defined to be a business enterprise and, if foreign real estate is owned by a U.S. person, it is a foreign affiliate of a U.S. Reporter. A Form BE-11B(LF) or (SF) or BE-11C is required unless the enterprise is otherwise exempt.

Real estate that is normally included in the property, plant, and equipment account of a foreign affiliate is not to be reported as a separate affiliate.

Residential real estate held exclusively by a U.S. person for personal use and not for profitmaking purposes is not subject to the reporting requirements. A primary residence abroad that is leased to others while the owner is a U.S. resident, but which the owner intends to reoccupy, is considered real estate held for personal use.

Ownership of foreign residential real estate by a business enterprise, the sole purpose of which is to hold the real estate for the personal use of the owner(s) of the business enterprise, is considered to be real estate held for personal use and therefore not subject to the reporting requirements.

III. CLARIFICATION OF COVERAGE — Continued

If a U.S. person has a direct or indirect voting ownership interest of 10 percent or more in a joint venture, partnership, etc., that is formed to own and hold, develop, or operate real estate, the joint venture, partnership etc., in its entirety, not just the U.S. person's share, is a foreign affiliate and must be reported unless otherwise exempt.

- E. Airlines and ship operators** — U.S. airlines' and ship operators' foreign stations, ticket offices, and terminal and port facilities that provide services **only** to their own operations are not foreign affiliates and are not subject to the reporting requirements. Reports are required when such facilities produce significant revenues from services provided to unaffiliated persons.

IV. GENERAL INSTRUCTIONS

- A. Accounting methods and records** — Generally accepted U.S. accounting principles should be followed, unless otherwise specified. Corporations should generally use the same methods and records that are used to generate reports to stockholders, except where instructions indicate a variance. Reports for unincorporated persons must be generated on an equivalent basis.

References to Financial Accounting Standards Board statements are referred to as "FASB" statements.

- B. Translation of foreign currency financial and operating data into U.S. dollars**

- 1. Financial statements** — Foreign affiliate financial statements, such as the balance sheet and income statement, should be translated into U.S. dollars using FASB 52.
- 2. Other financial and operating data of foreign affiliate** — According to FASB 52, "Revenue and expense transactions shall be translated in a manner that produces approximately the same dollar amounts that would have resulted had the underlying transactions been translated into dollars on the dates they occurred." Since separate translation of each transaction is usually impractical, the specific result can be achieved by using an average rate for the period.

On Forms BE-11B(LF) and (SF) and BE-11C, certain revenue and expense transactions which may not be translated separately for the financial statements, such as employee compensation and exports and imports, are required to be reported. These transactions should be translated in a manner that is consistent with that used to translate the financial statements to U.S. dollars.

- C. Industry classification** — A list and explanation of the industry classifications used are given in the **Guide to Industry and Foreign Trade Classifications for International Surveys**, BE-799, which is included as part of the BE-11 report package.

- D. Estimates** — If actual data are not available, or only partial data are available, estimates should be supplied and labeled as such. When data items cannot be fully subdivided as required, totals and an estimated breakdown of the totals should be supplied.

Certain sections of Forms BE-11A and BE-11B(LF) and (SF) require data that may not normally be maintained in a company's customary accounting records. Provision of precise data in these areas may present the respondent with a substantial burden beyond what is intended by BEA. This may be especially true for:

- BE-11A, Part II, Section B — Distribution of sales or gross operating revenues by whether the sales were goods, services, or investment income;
- BE-11A, Part II, Section D — Exports and imports of the U.S. Reporter on a shipped basis;
- BE-11B(LF), Part II, Section C — Composition of external finances by transactor;
- BE-11B(LF), Part II, Section D — Distribution of sales or gross operating revenues, by transactor, and by whether the sales were goods, services, or investment income; and
- BE-11B(LF), Part II, Section E and BE-11B(SF), Part II, Section D — U.S. exports and imports of the foreign affiliate on a shipped basis.

- E. Space on form insufficient** — When space on a form is insufficient to permit a full answer to any item, the required information should be submitted on supplementary sheets, appropriately labeled and referenced to the item number and the form.

V. SPECIAL INSTRUCTIONS

- A. Determining location of transactor (source) for investment income included in sales or gross operating revenues** — Finance or insurance companies that include investment income in gross operating revenues should report the amount of such investment income in item 23 on Form BE-11A and the amount and source of such investment income in item 52, columns (1) through (7), on Form BE-11B(LF) based on the location of the issuer of the financial instrument whether publicly issued or privately placed. (For rental income from real estate, base it on the location of the property.) If the location of the issuer of the financial instrument is unknown, then the nationality of the issuer may be substituted. In those cases where both the location and nationality of the issuer are unknown, and an intermediary (e.g., trustee, custodian, or nominee) is used to manage the investment (financial instrument or real estate) on behalf of the U.S. Reporter or foreign affiliate, the country of location of the intermediary may be used instead.
- B. Reporting for U.S. Reporters and foreign affiliates that are insurance companies**
1. Where there is a difference, the financial and operating data for insurance companies in the BE-11 survey are to be prepared on the same basis as an annual report to stockholders, rather than on the basis of an annual statement to an insurance department. Valuation should be according to normal commercial accounting procedures, **not** at the rates promulgated by national insurance departments, i.e., include assets not acceptable for inclusion in the annual statement to an insurance department. Include **1.** non-trusted or free account assets and **2.** nonadmitted assets, such as furniture and equipment, agents' debit balances, and all receivables deemed to be collectible. Mandatory securities valuation reserves that are appropriations of retained earnings are to be included in the owners' equity section of the balance sheet, **not** in the liability section.
 2. Assets of an affiliate's U.S. Reporter that are held in the country of location of the affiliate and that are for the benefit of the U.S. Reporter's policy holders are not to be included in the data reported for the affiliate on Form BE-11B(LF) or (SF) or BE-11C.
 3. Instructions for reporting specific items are:
 - a. Include in total assets (item 16 on Form BE-11A, item 26 on Form BE-11B(LF), item 18 on Form BE-11B(SF), and item 11 on Form BE-11C) and in "other current assets" (item 20 on Form BE-11B(LF)) such items as agents' balances, uncollected premiums, amounts recoverable from reinsurers, and other current notes and accounts receivable (net of allowances for doubtful items) arising from the ordinary course of business.
 - b. Include in total liabilities (item 17 on Form BE-11A, item 30 on Form BE-11B(LF) and item 20 on Form BE-11B(SF)) and in current liabilities (item 27 or 28 on Form BE-11B(LF)) such items as loss liabilities, policy claims, commissions due, and other current liabilities arising from the ordinary course of business. Include policy reserves in total liabilities and in "other noncurrent liabilities" (item 29 on Form BE-11B(LF)).
 - c. Include in sales or gross operating revenues, excluding sales taxes (item 19 on Form BE-11A; item 32 on Form BE-11B(LF), item 27, column (1), on Form BE-11B(SF); and item 12, on Form BE-11C), such items as earned premiums, annuity considerations, gross investment income, and items of a similar nature. (Income from foreign affiliates should be reported in item 33, not item 35, on Form BE-11B(LF).)
 - d. Include realized gains (losses) from the sale or maturity of investments in item 27 on Form BE-11A and item 34 on Form BE-11B(LF) and unrealized gains (losses) from changes in the valuation of investments in item 43 on Form BE-11B(LF).
 - e. Include in cost of services rendered (item 37 on Form BE-11B(LF)) costs relating to sales or gross operating revenues, excluding sales taxes (item 32 on Form BE-11B(LF)), such as policy losses incurred, death benefits, matured endowments, other policy benefits, increases in liabilities for future policy benefits, other underwriting expenses, and investment expenses.
 - f. Include in investment income (item 23 on Form BE-11A and item 52, column (1) on Form BE-11B(LF)) that portion of sales or gross operating revenues that is investment income (other than any gain (loss) on the sale or maturity of investments, which should be reported as "certain realized and unrealized gains (losses)" as detailed above). See V.A. for instructions on determining the location of the transactor of investment income.
 - g. Include in sales of services (item 25 on Form BE-11A and item 54, column (1) on Form BE-11B(LF)) premium income and income from other services, if any.

VI. INSTRUCTIONS FOR SPECIFIC PARTS OF THE REPORT FORMS

A. Certain realized and unrealized gains (losses) for securities dealers, finance companies, and real estate companies

Securities dealers DO NOT include realized gains (losses) due to sale or maturity of investments in item 27 on Form BE-11A or item 34 on Form BE-11B(LF), rather, include in gross operating revenues. Unrealized gains (losses) due to changes in the valuation of investments that are recognized during the reporting period SHOULD be included in item 43 on Form BE-11B(LF).

Finance companies (other than dealers in securities) and insurance companies SHOULD include realized gains (losses) from the sale or maturity of investments in item 27 of Form BE-11A or item 34 on Form BE-11B(LF), and unrealized gains (losses) due to changes in the valuation of investments in item 43 on Form BE-11B(LF).

B. U.S. merchandise trade — The data on U.S. merchandise trade between U.S. Reporters and their foreign affiliates are to be reported on a "shipped" basis, i.e., on the basis of when and to (or by) whom the goods were shipped in order for them to be on the same basis as official U.S. trade statistics to which they will be compared. However, it is recognized that U.S. Reporters and their foreign affiliates keep their accounting records on a "charged" basis, i.e., on the basis of when and to (or by) whom the goods were billed or charged. If there is no material difference between the two bases, the "charged" basis may be used. However, if a material difference does exist, then trade must be reported on the "shipped" basis. For this purpose, the U.S. Reporter may have to derive the data from export and import declarations filed with U.S. Customs or from shipping and receiving documents, rather than from accounting records, or may have to otherwise adjust its data from a "charged" to a "shipped" basis. In item 36 on Form BE-11A and item 55 on Form BE-11B(LF), the U.S. Reporter must indicate that the data are in fact being reported essentially on the "shipped" basis. BEA will require the U.S. Reporter to refile the data if it determines that there is a material difference between the "charged" and "shipped" bases, and that the data are not on, or adjusted to, the "shipped" bases.

- 1. Definition of U.S. merchandise trade** — U.S. merchandise trade refers to physical movements of goods between the customs area of the United States and the customs area of a foreign country. Consigned goods must be included in the trade figures when shipped or received, even though not normally recorded as sales or purchases, or entered into intercompany accounts when initially consigned. Exclude the value of ships, planes, railroad rolling stock, and trucks that were temporarily outside the United States, transporting people or merchandise.
- 2. Timing** — Only goods actually shipped between the United States and a foreign country during FY 1998 should be included, regardless of when the goods were charged or consigned. For example, goods shipped by the U.S. Reporter to an affiliate in FY 1998 that were charged or consigned in FY 1999 should be included, but goods shipped to an affiliate in FY 1997 that were charged or consigned to the affiliate in FY 1998 should be excluded.
- 3. Trade of the U.S. Reporter** — Goods shipped by, or to, the U.S. Reporter, whether or not they were actually charged or consigned by, or to, the U.S. Reporter, are considered to be trade of the U.S. Reporter.
- 4. Trade of a foreign affiliate** — Goods shipped by, or to, a foreign affiliate, whether or not they were actually charged or consigned by, or to, the foreign affiliate are considered to be trade of the foreign affiliate.
- 5. By (or to) whom goods were shipped** — Shipment by, or to, an entity refers to the physical movement of merchandise to or from the U.S. customs area by, or to, that entity regardless of by, or to, whom the merchandise was charged or consigned. Thus, for example, if the U.S. Reporter charges goods to a foreign affiliate in France but ships the goods to an unaffiliated foreigner in Switzerland, the goods are considered U.S. merchandise exports by the U.S. Reporter to the unaffiliated foreigner in Switzerland and should be recorded as such on the U.S. Reporter's Form BE-11A. Or if the U.S. Reporter charges goods to a German affiliate but ships them to an Italian affiliate, the goods should be recorded as U.S. merchandise exports by the U.S. Reporter only on the Form BE-11B(LF) or (SF) or BE-11C of the Italian affiliate, not on that of the German affiliate. Similarly, if goods were charged by the U.S. Reporter to an affiliate but shipped to the affiliate by another U.S. person, the goods should be considered an export by "other U.S. persons," not by the U.S. Reporter, on the affiliate's Form BE-11B(LF) or (SF) or BE-11C.

Note — Merchandise shipped by an independent carrier or a freight forwarder at the expense of an entity are shipments by that entity.

6. Valuation of exports — U.S. merchandise exports should be valued f.a.s. (free alongside ship) at the U.S. port of exportation. This includes all costs incurred up to the point of loading the goods aboard the export carrier at the U.S. Port of exportation, including the selling price at the interior point of shipment (or costs if not sold), packaging costs, and inland freight and insurance. It excludes all subsequent costs, such as loading cost, foreign import duties, and freight and insurance from the U.S. port of exportation to the foreign port of entry.

7. Valuation of imports — U.S. merchandise imports should be valued at the actual contract price agreed upon between buyer and seller, adjusted to an f.a.s. foreign port-of-exportation basis. This includes all costs incurred up to the point of loading the goods aboard the export carrier at the foreign port of exportation, including the selling price at the interior point of shipment (or cost if not sold), packaging costs, and inland freight and insurance. It excludes all subsequent costs, such as loading costs, U.S. import duties, and freight and insurance from the foreign port of exportation to the U.S. port of entry.

VII. FILING THE BE-11

- A. DUE DATE** — A fully completed and certified BE-11 report comprising Form BE-11A and Forms BE-11B(LF), (SF), or C (as required) is due to be filed with BEA not later than May 28, 1999.
- B. Extension** — Requests for an extension of the reporting deadline will not normally be granted. However, in a hardship case, a written request for an extension will be considered provided it is received at least 15 days prior to the due date of the report and enumerates substantive reasons necessitating the extension. BEA will provide a written response to such requests.
- C. Assistance** — For assistance, telephone (202) 606-5566 between 8:00 a.m. and 4:30 p.m., eastern time.
- D. Number of copies** — A single original copy of the report shall be filed with BEA. Each U.S. Reporter must retain a copy of its report to facilitate resolution of problems. These copies should be retained by the U.S. Reporter for a period of not less than 3 years beyond the report's original due date.
- E. Where to send the report** — Reports filed by mail through the U.S. Postal Service should be sent to:
U.S. Department of Commerce
Bureau of Economic Analysis
BE-69(A)
Washington, DC 20230
Reports filed by direct private delivery should be directed to:
U.S. Department of Commerce
Bureau of Economic Analysis, BE-69(A)
Shipping & Receiving Section M-100
1441 L Street, N.W.
Washington, DC 20005
- F. Annual stockholders' report and Form 10K** — Business enterprises issuing annual reports to stockholders and Form 10K are to furnish copies of these reports for FY 1998 when filing the BE-11 report.
- G. Confidentiality** — The information filed in this report may be used only for analytical and statistical purposes and access to the information shall be available only to officials and employees (including consultants and contractors and their employees) of agencies designated by the President to perform functions under the Act. The President may authorize the exchange of the information between agencies or officials designated to perform functions under the Act, but only for analytical and statistical purposes. No official or employee (including consultants and contractors and their employees) shall publish or make available any information collected under the Act in such a manner that the person to whom the information relates can be specifically identified. Reports and copies of reports prepared pursuant to the Act are confidential and their submission or disclosure shall not be compelled by any person without the prior written permission of the person filing the report and the customer of such person where the information supplied is identifiable as being derived from the records of such customer (22 U.S.C. 3104).
- H. Penalties** — Whoever fails to report may be subject to a civil penalty of not less than \$2,500, and not more than \$25,000, and to injunctive relief commanding such person to comply, or both. Whoever willfully fails to report shall be fined not more than \$10,000 and, if an individual, may be imprisoned for not more than one year, or both. Any officer, director, employee, or agent of any corporation who knowingly participates in such violation, upon conviction, may be punished by a like fine, imprisonment, or both. (22 U.S.C. 3105.)
Notwithstanding the above, a U.S. person is not subject to any penalty for failure to report if a valid Office of Management and Budget control number is not displayed on the form; such a number is displayed on this form.

1998 BE-11 ORDER FORM

To obtain additional copies of BE-11 Forms and Instructions, complete this order form and contact us.

Enter the quantity of each item you require:

Item	Quantity	Item	Quantity
Form BE-11A		Instructions	
Form BE-11B(LF)		Guide to Industry and Foreign Trade Classifications for International Surveys	
Form BE-11B(SF)			
Form BE-11C		Claim for Not Filing (BE-11)	

PLEASE COMPLETE BELOW

Name of U.S. Reporter

Attention:

Street Address

City, State, ZIP Code

RETURN TO

U.S. Department of Commerce
Bureau of Economic Analysis, BE-69(A)
Washington, DC 20230

Telephone: 202-606-5566

FAX: 202-606-5312/7

Visit our website: www.bea.doc.gov
Click International – Survey Forms to download
and print our survey forms.